

FDIC State Profile

Spring 2006

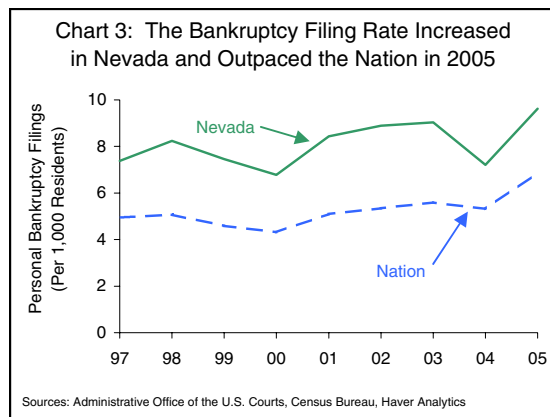
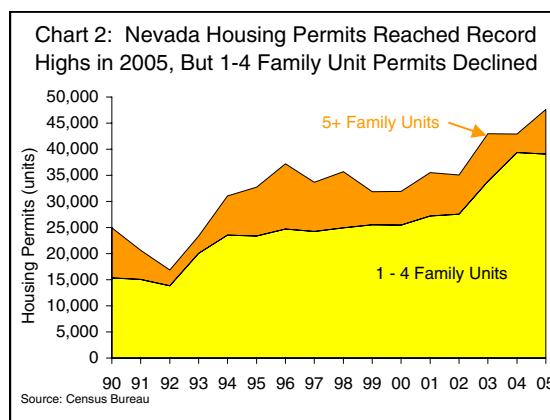
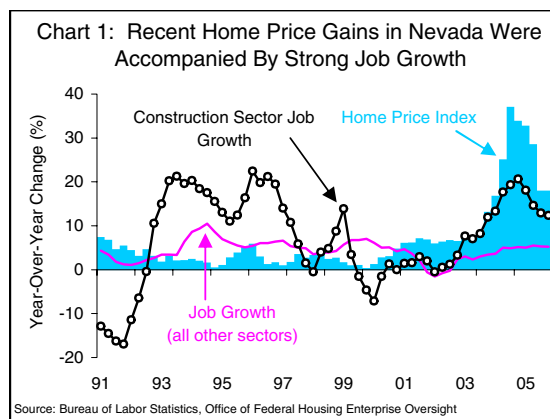
Nevada

Nevada continued to rely on the cyclical construction sector for job growth.

- Nevada job growth remained the fastest in the nation in fourth quarter 2005; despite some recent slowing in employment gains.
- Population inflows and rising home prices fueled construction job growth. Nevada's construction sector reported a 12.3 percent year-over-year growth rate in fourth quarter 2005 and accounted for more than one in five new jobs in the state (see Chart 1). The leisure sector also reported significant gains because of strong visitor counts, convention attendance, and hotel occupancy during 2005.
- While **Las Vegas** accounted for more than 80 percent of the state's new jobs, **Reno** and **Carson City** also added jobs at a pace that exceeded the national rate.
- Forecasts indicate that job gains in the state may ease somewhat in 2006.¹

Housing market conditions warrant monitoring.

- Although Nevada continued to attract new residents, the number of single family housing permits slightly declined during 2005 from the 2004 peak (see Chart 2). The leveling in permitting activity could signal a slowing in residential construction activity in 2006 from record levels, however, large commercial developments such as the 3,025-room Palazzo (scheduled to open in 2007) could support construction employment.
- Deteriorating affordability and rising interest rates may also weigh on the state's housing market.
- Home price appreciation in Nevada has moderated from recent highs. The state reported 18.0 percent year-over-year growth in the home price index in fourth quarter 2005, well below the record pace of 37.1 percent set in third quarter 2004.
- Innovative mortgages and investors may be influencing Nevada housing demand. Interest-only and negative



¹Forecast data from Moody's Economy.com.

amortization loans accounted for 61 percent of non-prime mortgage originations in the state during the first 11 months of 2005.² During the same period, investors and second-home purchasers accounted for 28 percent of Nevada Alt-A mortgage originations.

Nevada consumers face increasing pressure.

- Rising energy costs will continue to burden households pocketbooks as more than 95 percent of homes in the state are heated using natural gas or electricity. The price of both natural gas and electricity for residential use is forecast to increase further in 2006.³
- Rising interest rates and higher minimum payments on credit card balances could pressure some consumers.
- Personal bankruptcy filings in Nevada increased in 2005, rising to 9.6 filings per thousand residents, in large part because of new bankruptcy legislation which took effect in October 2005 (see Chart 3). Forecasts indicate that the filing rate may decline for the state in 2006 but then continue to trend upward in 2007.⁴

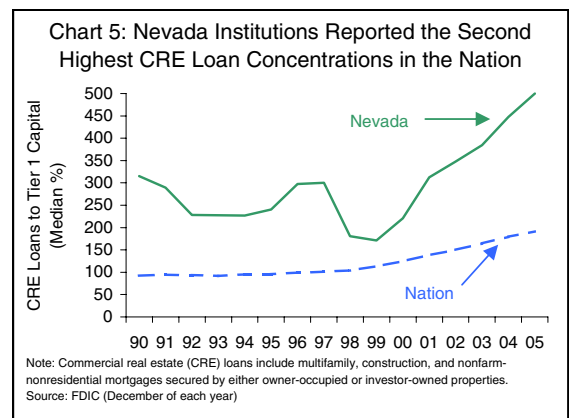
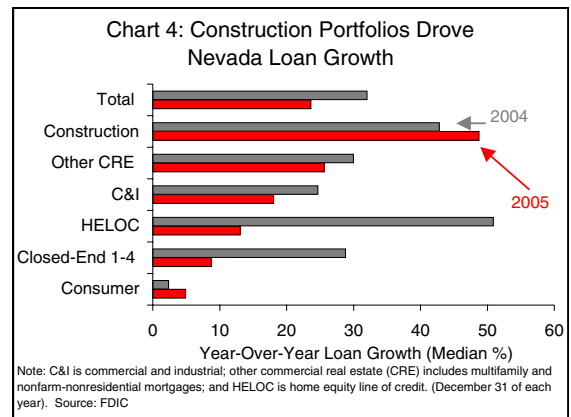
Although overall loan growth slowed, commercial real estate (CRE) concentrations remained high.

- Overall loan growth in Nevada moderated during 2005, but at 23.6 percent, the state still ranked first nationally. Construction and development (C&D) portfolios grew at 48.8 percent, the fourth highest in the country, up from a year-earlier rate of 42.8 percent and was the fastest growing loan type for Nevada institutions (see Chart 4.)
- As a result, more than half of Nevada-based banks and thrifts held C&D loans in excess of Tier 1 capital by the end of 2005, compared to 33 percent at year-end 1996.
- Other CRE, including multi-family loan categories also increased strongly at 25.6 percent, although down slightly from the prior year. Nevada ranked second in the nation at year-end 2005 with a median CRE to Tier 1 capital concentration of 500 percent versus a national median of 192 percent (see Chart 5).
- Strong economic conditions continued to bolster CRE conditions; in particular, Las Vegas's office and industrial markets reported relatively low and declining vacancy rates and increasing rents.

- Median fourth quarter 2005 past-due CRE loan levels among Nevada-based institutions were negligible at 0.05 percent but reflected a slight increase from the prior year.

Rising interest rates boosted quarterly net interest margins (NIMs), but tempered investment portfolio values.

- Nevada-based institutions continued to report excellent quarterly earnings. The median fourth quarter pretax return on asset (ROA) ratio improved year-over-year to 2.5 percent and ranked second nationally. NIMs improved to 5.0 percent, up from 4.7 percent at the prior year-end as interest income rose sufficiently to more than offset rises in interest expense.
- Rising interest rates contributed to a decrease in the value of securities portfolios held by the state's institutions. In fourth quarter 2005, only five percent of the state's banks recorded securities gains.
- The higher NIM offset increases in overhead expense burdens.
- Overall past-due loan levels improved year-over-year to 0.35 percent, as past due C&I and consumer loans declined from prior year levels.



²Based on subprime and Alt-A private mortgage securitizations tracked by LoanPerformance. Alt-A loans include mortgages that have near-prime credit quality, lack full loan documentation, or are secured by investor properties.

³Forecast data from the Energy Information Administration's 2006 Annual Energy Outlook.

⁴Forecast filing rate calculated using Moody's Economy.com forecast data for bankruptcy filings and population.

Nevada at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	6.0%	6.1%	6.6%	5.9%	3.5%
Manufacturing (4%)	3.8%	3.3%	5.4%	5.0%	1.8%
Other (non-manufacturing) Goods-Producing (12%)	12.4%	12.7%	19.6%	17.1%	8.0%
Private Service-Producing (72%)	5.6%	5.7%	5.3%	5.0%	3.0%
Government (12%)	3.1%	3.6%	4.2%	2.8%	3.1%
Unemployment Rate (% of labor force)	3.9	4.0	4.3	4.6	5.3

Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	10.6%	11.7%	10.1%	7.5%
Single-Family Home Permits	21.5%	16.4%	-12.8%	14.5%	20.7%
Multifamily Building Permits	199.3%	183.8%	-67.9%	-48.5%	28.9%
Existing Home Sales	1.4%	1.8%	1.6%	23.4%	27.4%
Home Price Index	18.0%	18.0%	33.9%	28.5%	8.9%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	14.29	9.77	5.56	7.21	9.04

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	40	39	38	38	37
Total Assets (in millions)	391,998	377,695	56,085	56,085	59,206
New Institutions (# < 3 years)	5	4	5	5	5
Subchapter S Institutions	4	4	4	4	3

Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.35	0.29	0.45	0.45	0.79
ALLL/Total Loans (median %)	1.12	1.12	1.15	1.15	1.25
ALLL/Noncurrent Loans (median multiple)	3.27	3.04	3.06	3.06	3.21
Net Loan Losses / Total Loans (median %)	0.00	0.00	0.01	0.03	0.19

Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	9.42	9.42	9.78	9.78	9.39
Return on Assets (median %)	1.70	1.56	1.40	1.32	1.03
Pretax Return on Assets (median %)	2.46	2.28	1.87	1.90	1.56
Net Interest Margin (median %)	5.40	5.25	5.12	4.85	4.77
Yield on Earning Assets (median %)	7.38	7.06	6.30	6.01	6.38
Cost of Funding Earning Assets (median %)	2.07	1.84	1.28	1.22	1.39
Provisions to Avg. Assets (median %)	0.17	0.18	0.23	0.23	0.32
Noninterest Income to Avg. Assets (median %)	0.36	0.33	0.29	0.34	0.45
Overhead to Avg. Assets (median %)	3.12	2.83	2.97	2.92	3.24

Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	76.7	73.7	72.5	72.5	73.1
Noncore Funding to Assets (median %)	21.3	17.4	15.8	15.8	17.7
Long-term Assets to Assets (median %, call filers)	12.6	11.6	10.4	10.4	11.0
Brokered Deposits (number of institutions)	20	19	20	20	19
Brokered Deposits to Assets (median % for those above)	8.9	8.7	4.7	4.7	6.6

Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	86.3	81.1	95.3	95.3	102.3
Commercial Real Estate	500.0	479.6	447.9	447.9	384.3
Construction & Development	152.3	173.8	130.7	130.7	134.8
Multifamily Residential Real Estate	5.8	6.6	4.9	4.9	4.7
Nonresidential Real Estate	212.6	182.3	265.6	265.6	239.9
Residential Real Estate	33.7	35.6	38.2	38.2	29.5
Consumer	8.5	7.1	6.7	6.7	10.1
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Las Vegas-Paradise, NV	42	33,605	< \$250 million	18 (45%)
Reno-Sparks, NV	18	11,210	\$250 million to \$1 billion	10 (25%)
Carson City, NV	14	1,241	\$1 billion to \$10 billion	10 (25%)
			> \$10 billion	2 (5%)